Discounters Poised to Exploit Growing Crafts Craze

By Mary Ellen Kelly
Nationwide DSN Report

Crafts are emerging as the next home fashion-oriented category primed to be exploited by mass merchants.

The close link of craft projects with home and apparel fashions gives the category the appeal of these kindred departments: high gross margins.

Craft projects like wearable art (such as sweatshirt painting), hook rugs and quilt-making are among high mark-up projects driving sales.

While knitting yarn sales are flat and home sewing sales continue to fall, a renewed interest in craft projects is spawning a breed of specialty store that blends the best of yarns, fabrics and crafts.

Wal-Mart, Ames and Jamesway are among only a handful of other major discounters who have made a major investment in this category which is dominated by variety and specialty stores.

Morgan Miller, president of New York-based manufacturer, National Yarn Crafts and president of the Craft Yarn Council of America, said his company has, "doubled business since last year, primarily due to a great resurgence of latch hook rug kit sales."

Miller anticipates a 35 percent sales gain during 1990. "There has been a resurgence in the whole craft business. K mart tested a section of hook rug kits last year then went chainwide with it. Retailers in general are devoting more space to the business," he said.

Bill Johnson, merchandise manager from frame manufacturer Intercraft Industries, Taylor, Texas, noted "Our business to the craft industry has been growing recently. I foresee that in the near future it could represent over 10 percent of our business." The frame shops in some craft stores run as large as 90 feet, he pointed out.

Susan Brandt, director of communications for Hobby Industries of America, said frames are especially important to the craft business. "They may be called craft stores, but a good number of them are also frame shops."

Four categories of craft retailers are evolving due to changes in the craft market as well as retailing in general:

- Specialty stores that sell a combination of crafts, framing supplies and silk flowers are gaining momentum, as are chains like Frank's Nursery & Crafts, a division of Stamford, Conn.-based General Host, that couple craft merchandise with home garden supplies. While craft specialty stores are most prevalent in the Southeast and South Central states, the rebirth of interest in crafts makes other parts of the country ripe for expansion, retailers said;
- Some discounters are taking advantage of renewed consumer interest in crafts and the current lack of retail competition by opening enlarged departments or even freestanding craft stores;
- Variety store retailers whose primary business has been inundated with discount store competitors are looking to craft-only stores where competition is low and profits are high;
- The downtrend in home sewing sales have led chain and independent fabric stores to devote more and more of store space to crafts merchandise.

Joe Mishkin, president of one of the country's top notions and crafts suppliers, EZ International, Carlstadt, N.J., said the shift toward craft sales in fabric stores has resulted in a similar shift in new product efforts.

"The home sewing and craft businesses are melding together . . . We've been looking into items that overlap between these two previously separate retail groups."

Products geared toward this new breed of sewing/craft retailer are already being shipped. Among these "crossover" items are quilting supplies. EZ has created a 4-foot section of quilting supplies to merchandise the 70-sku it manufactures.

"Home sewing business has been down 10 percent each year for awhile; over the last 10 years sales have dropped by a third," Mishkin estimated. "The craft business, on the other hand, has been up by more than 10 percent and continues to climb."

Variety store operator and general merchandise/craft wholesaler Ben Franklin is one of several variety store chains taking an aggressive approach to craft retailing. The company has already converted 178 of its 1,100 variety store franchises into craft stores and will open some of its first company-owned craft outlets this year in Indiana, and possibly the East Coast.

Dale Ward, president and chief executive officer of Ben Franklin, said, "We're very confident about the craft industry . . . We've hardly had to spend a dime of advertising to our franchisees because people know there is more profitability and opportunity in the craft market [than in variety store sales]," Ward said.

Ben Franklin spent over $1 million in consumer research to discover the long-term viability of the craft market. "What is causing the craft market to grow is the quality of life issue," Ward said. "People want to give personal gifts and feel creative. We've also had a large number of women say this is where they go to enjoy themselves."

Winns is another example of a variety store retailer diverting more of its resources to craft store growth. The company, like Ben Franklin, has converted some of its weaker variety stores to craft-only units. In 1988, the company operated 235 stores—20 craft and 215 variety. By year-end, the company expects to have at least 43 craft stores in operation, partly due to the conversion of its variety units.

Tom Draves, Jamesway merchandise manager, said the Secaucus, N.J.-based discounter is currently testing craft departments as large as 120 feet in 10 stores. The usual size of the department is between 40 feet and 80 feet. Whether or not the enlarged craft department will be rolled out to additional stores was being discussed at presstime. The enlarged crafts department are defined by a department canopy, Draves said.

"The craft business is pretty healthy, especially apparel painting and miniatures . . . We think it could become more profitable," he said.

Ames, Rocky Hill, Conn., which had launched a separate crafts chain about two years ago, will be opening Crafts & More leased departments in over 80 of the 149 Ames full-line discount store remodels slated for 1990, bringing the total to about 105. Four more freestanding Crafts & More locations will be opening for a total of 17 by year-end. Pittsburgh is one market targeted for Crafts & More expansion.

In this craft-oriented retail environment, even fabrics are selling "exceptionally well," according to David Muensterman, vice president, general manager of Ames' Crafts & More division.

The typical crafts shopper is the ultimate target for impulse, promotional and destination purchases, based on retailer and vendor observations as well as a study sponsored by the Hobbies Industries of America.

Shopping frequency is high, partly because shopping for crafts is recreational. The customer—almost exclusively female—often goes to the store without having a definite item or price in mind, and is receptive to new products. While service is important, breadth of selection is paramount. Selection is even more important than price.

Discounters Dominant Outlet for Most Craft Supplies

Craft	Discount Store	Craft/Hobby Store	Other Specialty Store	Craft Chain Store	Other Store*
Needlecrafts (U.B. 50%)	34	21	13	13	16
Candy Making/Cake Decorating (U.B. 16%)	15	12	21	7	33
Painting/Drawing (U.B. 15%)	21	36	13	4	15
Decorative Painting/ Stenciling (U.B. 11%)	22	40	9	10	10
Silk Flowers/Making, Arranging (U.B. 9%)	30	28	11	9	12
Macrame (U.B. 8%)	32	37	7	10	7
Doll Making (U.B. 6%)	26	18	11	18	20
Paper Cutting Crafts (U.B. 6%)	40	23	4	7	16
Beading/Bead Crafts (U.B. 5%)	17	38	6	11	16

U.B. = User Base: Percent of 6,372 person population who actively participates in the craft listed.
*Other Stores: Department stores, mail-order catalogs and other supply houses.
Source: Hobby Industry of America, "HIA Nationwide Consumer Study" 1988. Entire chart not shown.

Top 5 Specialty Crafts Chains

Chain	No. of Stores 1989	1990
Ben Franklin, Carol Stream, Ill.	178	238
Michaels, Irving, Texas	121	141
Lee Wards Creative Crafts, Elgin, Ill.	70	NA
Old America Stores, Howe, Texas	41	NA
Winns, San Antonio, Texas	38	43

DSN Research NA — not available.

New Styles Expected to Pad Healthy Bath Scale Sales

Nationwide DSN Report

Manufacturers and retailers of bath scales are weighing in with double-digit sales gains as consumer concern over health and fitness continues.

Consumers' attention to daily diet and exercise regiments has made the obligatory bath scale an essential tool for gauging physical health. And this new vantage point has raised the price ceiling on lines that guarantee accuracy and can be easily read.

Latching onto the booming home office specialty store market, several major scale vendors are also launching scales geared to home office applications like weighing parcels and envelopes.

Mike Phillips, buyer with Home of Economy, a five-unit chain based in Grand Forks, N.D., projected scale sales to rise by 10 percent to 15 percent during 1990, on top of a healthy 17 percent gain last year. "Scales are an area where we have a nice steady increase, but it will probably start to slow down due to market saturation. The sales trend is definitely toward better quality models," he said.

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Sports Authority Plans Major Northeast Thrust

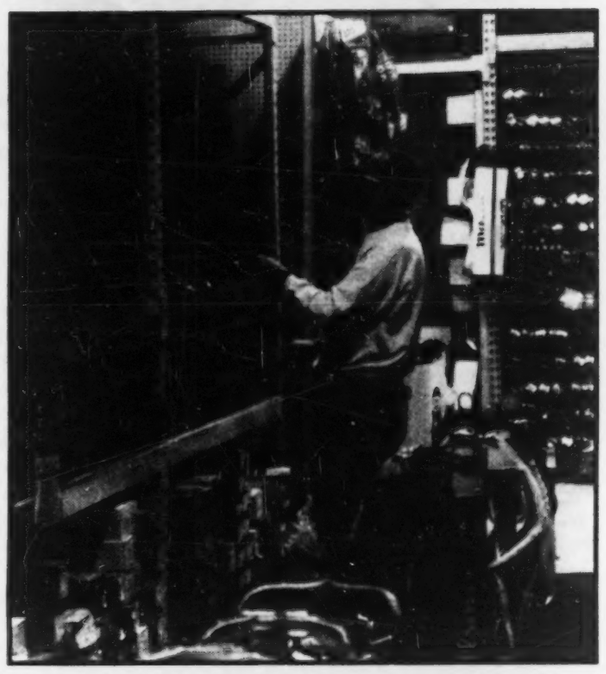
By Richard Halverson

FORT LAUDERDALE, Fla. — Having turned its first quarterly profit, The Sports Authority, now two years old, is expanding beyond its Sun Belt base.

Now operating eight sporting goods megastores, Sports Authority plans to open its first unit in the Northeast this summer. The 40,000-square-foot unit is located in the metro Philadelphia market in Deptford Township, N.J. In addition, Sports Authority plans to open three more units in Philadelphia by summer's end, said president Jack Smith.

Smith declined to reveal the exact locations until it closes on the sites. But one will be within Philadelphia city limits, he said.

Of eight existing units, seven are in Florida: Fort Lauderdale, North Miami, Tampa Bay, Brandon, Clearwater, Orlando and Jacksonville. The other is in the Potomac Mills Mall in Woodbridge, Va., near Washington, D.C.



Sports Authority, Clearwater, Fla.: *Given its Sun Belt base, golf is a major category and still will be as the chain moves north.* (DSN photo)

As part of the 10-store expansion program for 1990, Sports Authority also plans to open two more in Florida, two more in the Washington, D.C. area, including one in Tysons Corner, Va., two in Baltimore, as well as the four in Philadelphia.

Not that Sports Authority is turning its back on the Sun Belt. The retailer plans to open one store in Las Vegas and three in Phoenix this spring.

"We always intended to be a Sun Belt company," Smith said. "We had to modify our philosophy for the Northeast expansion."

A Sports Authority unit with 40,000 sku's needs a population base of 400,000 to 500,000 people to support it, Smith said. The retailer is rapidly covering all the Florida bases.

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Super Show Preview—p. 3

At Stuarts new headquarters: *Dave Ferguson, sr vp, operations; Joe Ettore, president; and Earl Spokane, sr vp, finance.* (DSN photo)

New Stuarts Management Overhauls Stodgy Image

By Tony Lisanti

FRANKLIN, Mass. — The metamorphosis of Stuarts from an old-line, stodgy discounter to a more contemporary, aggressive retailer has begun.

Last month, the 23-store regional chain moved into a more spacious headquarters and distribution center. Last week, Stuarts' new advertising/marketing plan was unveiled with its Washington's Birthday circular. Next month, a new radio campaign will debut, scanning will begin in a pilot store, and the chain will host its top vendors in a special open house.

For new president Joe Ettore, formerly a top merchan-

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IMRA Moves Headquarters to D.C.

Washington's Growing Influence Triggers Consolidation

By Richard Hersh
IMRA President
Special to DSN

Sometime early this summer, the International Mass Retail Association will close the doors of its office at 570 Seventh Avenue in New York City for the last time and relocate the office to Washington, D.C. This consolidation will permit our program staff and government relations staff to work even closer and with more efficiency.

This is not a trend which is unusual. More and more trade associations and business organizations have come to the realization that in order to be in close contact with their new "partners" . . . the government . . . they must be in Washington.

It is also indicative of the emphasis that has been placed on the legislative arena by the

Richard Hersh

IMRA Board of Directors and the members of the association. The number of issues which we cover increases with each session of Congress.

Since the opening of our Washington office six years ago, the staff has tripled and the budget for the Washington office has increased at an even greater pace. The board voted in January to combine the two offices for greater efficiencies so that our government affairs function can relate more directly to the other IMRA activities in the areas of conferences, conventions and publications.

Our new expanded office will give us the opportunity to work more closely and in a more coordinated effort. The new structure will give us an ability to even better represent our unique membership through the kind of interaction which will permit all of our employees to be cognizant of IMRA's array of services.

Some of the employees which you have come to know and respect in the New York office will not be able to move with us to Washington and that is the one area of sadness which we face. Over the years,

(Continued on page 78)

Target Halts EDLP Test; Returns to Promo Method

By Pamela Meek

MINNEAPOLIS — Target Stores has ended its everyday low pricing test that encompassed approximately 50 stores in the Southeast, Oregon and central Michigan. The units, most of which had been testing the concept since last spring, are now being converted to the chain's traditional sales-oriented marketing tack.

Target first tested EDLP about 18 months ago when it introduced the policy to four stores in Albuquerque, N.M., and Knoxville, Tenn. The 407-store Minneapolis-based chain then expanded the EDLP experiment last spring when it opened 30 former Gold Circle and Richway stores that it had purchased in the Southeast. The policy was also extended to new stores opened last year in Oregon and central Michigan.

During the pure EDLP test, Target continued to use a circular program, but instead of advertising "sale" items, the chain focused on featured

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MARKETWATCH

All Makros Change to Pace by June

AURORA, Colo. — K mart is expected to complete the conversion of the nine Makros into Pace wholesale clubs by June. The Makros will remain open during the conversions, which are scheduled to occur as follows: March, Toledo, Ohio; April, Cleveland (2), Flint, Mich., Hartford, Conn.; May, Cincinnati, and June, Washington, Philadelphia and Baltimore. The conversions will boost Pace's count to 56 stores.

Wal-Mart, Sam's to Team Up in Pa.

HARRISBURG, Pa. — Wal-Mart plans to pair a 112,238-square-foot discount store with a separate 109,398-square-foot Sam's Wholesale Club in the proposed Swatara Crossing shopping center in Swatara Township, outside Harrisburg, Pa., reported *The Patriot Ledger.* If plans for the center are approved by local officials this month, the discount store will be Wal-Mart's first of several units planned in this Middle Atlantic state.

Venture Sales Rise 4.7% to $1.34B in '89

ST. LOUIS — Venture sales for the 52 weeks ended Jan. 27 rose 4.7 percent to $1.34 billion from $1.28 billion a year earlier, May Department Stores Company reported. Same store sales for the period gained 2.9 percent. For the four weeks ended Jan. 27, sales rose 1.9 percent to $70.9 million from $69.5 million in the same span of 1989. Same store sales for the four weeks dipped 0.1 percent. As announced, May intends to spin off Venture to May stockholders sometime this spring, and, accordingly, is treating Venture as a discontinued operation.

Court OKs TSS Lease to Home Depot

NEW YORK — TSS, the Brooklyn-based discount chain currently liquidating under Chapter 11, received bankruptcy court approval to sell the lease of its store in Elmont, N.Y., to Home Depot, the warehouse home center chain, for $10 million, $1 million less than the original deal (see *DSN*, Feb. 12, page 6) agreed to last month. Under the new deal, Home Depot will pay a higher rent to the landlord on the 235,000-square-foot unit in western Nassau County (Long Island). A number of retailers, including K mart, Caldor and Costco, are reportedly interested in several of TSS' remaining sites.

Provigo Sells Canadian Catalog Chain

MARKHAM, Ontario — International Semi-Tech Microelectronics and Berjaya Corp. (Malaysia) have formed a joint venture that acquired Consumers Distributing (Canada) from Provigo, with Semi-Tech managing the $750 million (Canadian) catalog showroom chain. Semi-Tech's Hong Kong subsidiary, Semi-Tech Microelectronics (Far East) owns Consumers Distributing (U.S.), having purchased the Edison, N.J.-based cataloger in May 1988 from Provigo.

Paysaver Closes Three Mass. Stores

HOLYOKE, Mass. — Paysaver will exit the catalog showroom business at the end of the month when it closes its three Massachusetts stores. Heavy competition from malls, some of which house Service Merchandise showrooms, were cited as the reasons for Paysaver's closing.

QVC Sells C.O.M.B. Mail-Order Biz

WEST CHESTER, Pa. — Teleshopper QVC has sold the C.O.M.B. mail-order business it acquired along with Cable Value Network last fall to Minneapolis-based Damark International. The sales price of $24 million includes inventory, goodwill, computer systems and software—but not C.O.M.B.'s retail stores. CVN was originally an outgrowth of C.O.M.B., but quickly passed it in sales.

Hold It! Offers Bridal Registry

ST. PAUL, Minn. — Hold It!, a two-unit organizer specialty chain, is now providing computerized bridal registry, for newlyweds who hope to begin their new life together in an orderly fashion. Marv Krichmar, general manager of the start-up firm, said at least five stores will be open in the Twin Cities region by year-end. He also noted he plans to offer franchised units and go public within five years. The stores have 20 departments such as closet, workroom and office organizers. The store also offers in-store and in-home consulting and product installation.

Successful Fresh Foods Test Just Whets Costco's Appetite

By Pamela Meek

BELLEVUE, Wash. — Declaring its test of fresh food departments a success, Costco Wholesale Club president Jim Sinegal said the chain plans to roll out the new department to all its stores by the end of 1991.

Sinegal, speaking at the company's annual meeting here last month, said the fresh foods have helped increase customer visits and ticket totals. Not only is the selection a value to club members, he said, but it has also proven to be a profitable endeavor for the company.

Costco has been testing the departments—which include fresh meat and produce, a deli and bakery—since 1987. To compensate for the added selection, Costco's locations with fresh foods were enlarged from 100,000 square feet to about 120,000 square feet.

Currently, the firm operates 62 warehouses and expects to have 68 units in operation by the end of fiscal 1990 in August. Sinegal said the chain should have fresh foods in 55 of those 68 locations. This ratio is a significant rise over a year ago when at the close of fiscal 1989, only 29 of Costco's 56 warehouses had fresh foods.

Besides stepping up its fresh food rollout, Costco is also expanding its optical centers and pharmacies. At the close of fiscal 1989 the chain had 27 pharmacies and six optical centers. By the end of fiscal 1990, Costco expects to increase these numbers to 40 and 13, respectively.

Sinegal said the company is also continuing to upgrade and increase its selection of jewelry, books and videos, apparel and CE. Despite this product increase of some 100 sku's, chairman Jeff Brotman said the company's total sku's have gone from about 3,500 sku's to around 3,400 sku's because the overall assortment has been refined and narrowed.

A test expansion into car sales, however, has been ended. During the past year Sinegal said five Puget Sound warehouse clubs sold Hondas, but because the manufacturer was not happy with the pricing, Costco has ceased selling cars.

Sinegal said Costco is now poised to take its warehouse clubs to the Northeast, with the first units expected to open in the fall of this year. Although Costco could not yet specify actual sites, Sinegal said the company plans clubs in Connecticut, Massachusetts and New York.

To help with its initial entry into the new market, the company has devoted a separate management team, headed by senior vp of operations Franz Lazarus, to the move.

Costco also just completed a public stock offering that netted some $95 million. Brotman said these proceeds will help the chain grow in the Northeast and elsewhere, as well as allow the firm to buy outright new and existing real estate sites of its stores. Although the company at one time leased most of its locations, Brotman said that by year-end Costco should own the real estate at close to 40 of its warehouses.

Fast-Growing Bill's Sets Store-Within-Supermarket

JACKSON, Miss. — Bill's Dollar Stores, kicking off a campaign to grow to as many as 1,000 stores over the next three to five years, will open a store next month in a unique location: in the midst of a warehouse-style supermarket.

The dollar discount store chain operator based here has entered into an agreement with a local grocery store, Sack and Save, to put a 5,000-square-foot Bill's Dollar Store into the heart of a 55,000-square-foot food store.

The food store's higher traffic level is expected to double current volume per square foot for Bill's, explained Fulton Stokes, president of the 504-unit Bill's chain. "Sack and Save's traffic count in a week is more than ours is in three months," Stokes noted.

The chain will open its first store-within-a-supermarket in Meridian, Miss., March 1; additional combo stores are being considered.

"We have talked about others. We anticipate after three months we can determine whether or not this is something we will pursue," said Charles Acklen, executive vice president. "We've discussed three other possible locations."

A canopy around the Bill's area will define the discount store; no walls separate the two retailers. Both names will appear on the storefront.

In addition to this new venture, Bill's is planning to open between 70 to 75 stores during 1990 including its first units in South Carolina and stores near the Mexican border in Texas. Bill's plans to operate a total of 1,000 units within the next three to five years.

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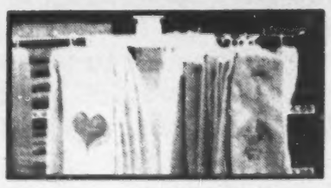

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